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UNCLAS SECTION 01 OF 02 GUANGZHOU 000453

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E.O. 12958: N/A

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SUBJECT: Green Building in the Pearl River Delta - a Fad or the Future?

REF: A) GUANGZHOU 228; B) GUANGZHOU 121

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11. (SBU) Summary: In an effort to woo high-end clients in the highly-competitive South China property market, developers here have started building green. Property developers are spending more to invest in U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) Green Building Rating System and are taking steps to promote the concept of a "green lifestyle." Local governments have generally been supportive of such projects, and some developers expect a new Chinese voluntary rating system to further bolster the trend toward building green. End summary.

#### Competition Driving the Growth of Green Developments

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12. (SBU) The long-term benefits of building green are becoming more apparent to South China property developers and owners as they come to realize that they may be able to get higher prices for green buildings. According to Alvin Lau, Managing Director for CB Richard Ellis in Guangzhou & Southern China, the property development market in south China is increasingly competitive. Some property developers are attracting clients by ensuring that construction is "green and sustainable." Lau stated that technologically advanced, environmentally friendly, energy efficient buildings were key to attracting high-end clients and bringing in higher revenues for property developers. Similarly, Hou Ze Lin, Senior Architect for the Guangzhou Design Institute's green skyscraper, the Pearl River Tower, said that space in the new tower would be marketed specifically toward high-end multinational firms and large domestic enterprises.

13. (SBU) LEED-rated development projects are underway in Guangzhou's Panyu District, Shenzhen, Dongguan, and Zhuhai. (Here in Guangzhou, the new consulate is being built to LEED standards.) Shenzhen Fountain Corporation is building a high-end LEED-certified residential tower in Zhuhai and a 3600+ unit LEED-certified development in Changsha, as well. Both projects are expected to be completed by 2010. The company has given an additional RMB 400,000 (about US\$60,000) to its architects to ensure both projects achieve LEED certification. Andrew Zheng, CEO of Shenzhen Fountain, explained that while the company is striving to produce more LEED-certified projects, the high technology involved with green buildings has raised costs "tremendously." Fraser Place, China's first LEED-Silver building in Shekou, Shenzhen, includes an array of energy efficiency and water conservation technologies that were installed when the building was completed in 2005. Its developer,

China Merchants, was reluctant to release the figures on the building's overall cost, but indicated that its next project in Shenzhen will opt out of installing so many solar panels and imported technologies. A 3-bedroom apartment in the Fraser development goes for about 60,000 RMB (US\$8,800) monthly. China's first LEED-Platinum (the highest rating by USGBC) building is also set for completion in Shenzhen and will be the new headquarters for Vanke, China's largest property development firm.

#### Some Customers Need to be Educated

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14. (SBU) Property developers all seem to agree that green buildings can enhance their revenues but only if clients are sufficiently educated about the advantages. While many clients are eager to buy into a "green lifestyle" as advertised by several new LEED-rated property developments, they are sometimes shocked by the high sticker price. China Merchants Property Development is hiring additional staff to inform potential walk-in customers for China's first LEED-rated neighborhood in Panyu (a Guangzhou suburb) about the value and benefits of green buildings. Gladys Guan, a company representative at the Panyu site known as Jin Shan, or The Hills, said that LEED-rated properties are limited to the top-end of the real estate market and will likely stay there for at least the next 3-5 years, pointing out that many of the clients the project has attracted so far have spent time overseas and already know the value and cost of a LEED-rated project.

#### Green Projects Often Welcomed by Local Government

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15. (SBU) Many local governments in South China have been supportive

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of green building projects but to varying degrees, often depending on relationships with the developer. In Panyu, the local government has been very supportive of Jin Shan. According to the developer, the Panyu government allowed more land to be sold to the project largely due to its "green" features. Panyu government officials traveled to the United Kingdom with the developer to learn about the "BedZed" carbon-neutral project in London, after which Jin Shan will be modeled. The Guangzhou Design Institute benefited from its close relationship with the Guangzhou government, winning a joint-contract with San Francisco-based Skidmore, Owings and Merrill LLP (the new U.S. Consulate's architect) to construct a green skyscraper similar to those in Beijing.

16. (SBU) Shenzhen has also embraced the concept of green building and is working alongside the Natural Resources Defense Council towards establishing a green building rating standard as well as a green building design standard. The rating system will be modeled after the LEED system. The design standard will be the first of its kind in China, and will encourage developers to maximize the amount of green features included in new buildings. The Natural Resources Defense Council is also working with the Shenzhen government to develop green community planning and design guidelines as well as two green building demonstration projects.

#### Energy Efficiency Remains Top Priority for Government

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17. (SBU) At a recent Ministry of Energy sponsored conference on energy efficient buildings held in Shanghai, the government announced its intentions to develop a voluntary energy rating system for buildings and a new mandatory requirement that all new commercial office buildings must meet more stringent government office building energy efficiency standards. Lin of the Guangzhou Design Institute said that he doesn't view the mandatory requirements as particularly challenging. Instead, he is waiting for the government to launch the voluntary rating system next year, which he expects to include specific environmental performance standards for new building construction. Several developers told us that they were planning on applying for financial incentives, which they believe will be included with the new rating system, in order to help fund future green building projects. Lin also commented that anticipation of the new standards already seems to be driving

local architecture firms to focus more on energy efficiency in their designs.

18. (SBU) Professor Xiao Yiqiang, Director of the Green Building Design Institute at South China University of Technology, pointed out that the Guangdong provincial government has been proactive in organizing conferences to promote the development of energy efficiency in buildings. Guangdong, he said, is well positioned to develop green technologies for buildings in subtropical climates. Xiao's research focuses on maximizing energy efficiency in buildings and his lab has won several government grants for modifying technologies used in ventilation and insulation. He is also a recent recipient of a Rockefeller Brothers grant that will be used to ensure sustainable building design practices are used in the re-development of one of Guangzhou's historic neighborhoods. Xiao explained that the government will focus on promoting "low-technologies" - sun shading to drive away heat and positioning ventilation in order to reduce heat radiation - in Guangzhou.

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